

## Message Text

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ACTION EB-07

INFO OCT-01 EA-06 ISO-00 AGR-05 CIAE-00 COME-00 INR-05

LAB-01 NSAE-00 RSC-01 SP-02 STR-01 TRSE-00 SWF-01

CIEP-01 FRB-01 OMB-01 L-02 SS-15 NSC-05 /055 W

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R 300407Z NOV 74

FM USLO PEKING

TO SECSTATE WASHDC 2905

INFO AMCONSUL HONG KONG

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E.O. 11652: N/A

TAGS: ETRD EAGR CH US

SUBJ: DREYFUS TCK PROBLEM RESOLVED; NO AGREEMENT  
ON POSTPONEMENT OF US COTTON SHIPMENTS

REF: A. PEKING 2020

B. PEKING 2021

1. REPRESENTATIVES OF LOUIS DREYFUS HAVE REACHED AGREEMENT WITH THE CHINA NATIONAL CEREALS OILS AND FOODSTUFFS IMPORT AND EXPORT CORP. (CEROILFOOD) ON THE PROBLEM OF TWO SHIPLOADS OF US WHEAT WHICH WERE FOUND BY THE CHINESE TO HAVE TCK (REF A). DREYFUS OFFICIALS MARCEL MARQUOT AND JEAN-PIERRE SAMUEL TOLD USLO THAT CEROILFOOD HAS AGREED TO DISCHARGE AND STERILIZE THE CARGOES. ON ITS PART, DREYFUS HAS AGREED ON A PAYMENT FOR DAMAGES WHICH SOMEWHAT EXCEEDS THE COST OF STERILIZATION.

2. ACCORDING TO THE DREYFUS REPS, CHINESE WANTED DREYFUS TO PAY IN ADDITION TO STERILIZATION COSTS, DEMURRAGE CHARGES FROM THE TIME IT WAS ASCERTAINED N CHINESE PORTS THAT THE TWO SHIPS HAD TCK INFECTED WHEAT. DREYFUS REFUSED BECAUSE THE WHEAT WAS SOLD FOB, BUT SAID  
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IT WAS WILLING TO MAKE SOME COMPENSATION FOR CHINESE LOSSES.

AFTER INTENSIVE DISCUSSIONS, AGREEMENT WAS REACHED ON A COMPROMISE FIGURE, AND THE PROBLEM IS CONSIDERED SETTLED. THE DREYFUS REPS ALSO NOTED THAT THE DREYFUS PAYMENT INCLUDES THE COST OF FULL STERILIZATION OF THE CARGOES, WHILE IN FACT ONLY CERTAIN INFECTED PORTIONS NEED TO UNDERGO THAT PROCESS. THE CHINESE, HOWEVER, REFUSED TO BREAK DOWN STERILIZATION COSTS.

3. IN VIEW OF THE DIFFICULTIES THAT AROSE OVER THESE TWO SHIPMENTS, AND RESULTING DOUBT WHETHER THE CHINESE WOULD CONTINUE TO ADHER TO THE "GENTLEMEN'S AGREEMENT" ON TCK REACHED LAST JUNE, MARQUOT SAID HE ASKED THE CHINESE IF THEY WISHED TO DISCUSS ANY CHANGES WITH RESPECT TO THE 360,000 TONS OF US WHEAT WHICH DREYFUS IS SCHEDULED TO SHIP TO THE PRC BEGINNING IN MID-1975. MARQUOT SAID HE ALSO SUGGESTED THAT THE DREYFUS PAYMENT FOR DAMAGES (DISCUSSED ABOVE) BE DISGUISED IN A RENEGOTIATION OF THE CONTRACT COVERING NEXT YEAR'S SHIPMENTS. THE CHINESE REPLIED THAT THEY DID NOT WISH TO DISCUSS THE MATTER OF NEXT YEAR'S SHIPMENTS AT THIS TIME. THEY ALSO EMPHASIZED, MARQUOT SAID, THAT THE "GENTLEMEN'S AGREEMENT" ON TCK REMAINS INTACT.

4. ON THE MATTER OF POSSIBLE POSTPONEMENT OF SHIPMENTS OF 200,000 BALES US COTTON (REF B), MARQUOT SAID HE REACHED NO AGREEMENT IN HIS TALKS WITH THE CHINA NATIONAL TEXTILES IMPORT AND EXPORT CORPORATION (CHINATEX). THE TWO SIDES WERE SIMPLY TOO FAR APART ON THE QUESTION OF CARRYING CHARGES. MARQUOT ALSO ADDED, WHAT HE DID NOT TELL USLO BEFORE, THAT CHINATEX HAD ALSO PROPOSED CANCELLATION OF THE CONTRACT. HERE AGAIN, MARQUOT SAID, THE TWO SIDES COULD NOT AGREE ON A SUITABLE AMOUNT OF COMPENSATION TO DREYFUS.

5. MARQUOT SAID HE BELIEVES THAT THE CHINESE IN RECENT MONTHS PURCHASED LOW COST COTTON FROM THE US AND OTHER ORIGINS WHICH WAS AVAILABLE FOR IMMEDIATE DELIVERY, AND THAT THIS IS THE REASON WHY THEY WANTED TO CANCEL THE DREYFUS PURCHASE WHICH WAS MADE AT A HIGH PRICE EARLIER THIS YEAR, OR AT LEAST WANTED TO POSTPONE DELIVERIES FOR LIMITED OFFICIAL USE

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SEVERAL MONTHS. (MARQUOT DID NOT APPEAR TO HAVE PRECISE INFORMATION ON SUCH RECENT PURCHASES OF COTTON, BUT REITERATED HIS BELIEF THAT SOME IS OF US ORIGIN.)  
BUSH

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** FOOD CONTAMINATION, WHEAT, COTTON, NEGOTIATIONS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 30 NOV 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** MorefiRH  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
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**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
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**Errors:** N/A  
**Film Number:** D740348-0008  
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**Review Authority:** MorefiRH  
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**Review Content Flags:**  
**Review Date:** 23 JUL 2002  
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**Secure:** OPEN  
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**Subject:** DREYFUS TCK PROBLEM RESOLVED; NO AGREEMENT ON POSTPONEMENT OF US COTTON SHIPMENTS  
**TAGS:** ETRD, EAGR, CH, US, LOUIS DREYFUS CO  
**To:** STATE  
**Type:** TE  
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